RICHARD RUSSELL'S DOW THEORY LETTERS INCORPORATED

SINCE 1958 •

POST OFFICE BOX 1759, LA JOLLA, CALIFORNIA 92038

26 LETTERS PER YEAR • $225 ANNUALLY

May 12, 1989 LETTER 1017

May 5 DJIA 2381.16; PTI 3002; A-D Ratio -9.05
May 9 DJIA 2371.33; PTI 2994; A-D Ratio -9.39
Current Dow Yield: 3.51%; Dow P/E: 11.0
Dow Book Value: 1009; Dow 200 -day MA: 2188
DowPow: 810
Percentage of undervalued blue-chips: 18%

THE PICTURE: Day after day I receive market letters, treatises, tomes, and analyses of the stock market and "what it should do." Although the public at present appears singularly disinterested, forecasts and predictions about the stock market go on relentlessly.

A good many analysts have now become followers of cycle theories, wave projections, Elliott Wave studies, periodicity and pinpoint timing devices. Daily I read the latest figures on the put/call ratio, market momentum, stochastics, and what have you. So many studies hit my desk each day, in fact, that my mind has become a blur of ratios, cyclical theories, space and time studies -- even astral projections.

To give you an example: When I first discussed the Elliott Wave theory many years ago with Bob Prechter and A. J. Frost, the study was relatively unknown. Hamilton Bolton of Canada's *Bank Credit Analyst* almost single-handedly revived the Wave studies during the 1950s and '60s, but at that time Wall Street was as familiar with Elliott as it was with the first law of thermodynamics. But that has changed, and I note that Bob Prechter now has company from many quarters.

Despite all the new studies and concepts, I seem to be putting even more faith in the time-honored Dow Theory plus my own Primary Trend Index (PTI). One of the basic tenets of the Dow Theory states that everything anyone knows about the economy and stocks is contained in the action of the D-J Averages. Although many still dispute it, that's about the truest statement about the market that I know of.

At any rate, let's turn to the current market situation. The Averages topped out in August 1987 amid every characteristic and indication of a classic bull market top. Since then, business has brightened, improved, and more recently expanded to positively rosy levels. As for the stock market, its most notable achievement lies in the action of the Transportation Average -- which has recently advanced to record highs. But according to the tenets of the Theory it takes two to tango. Translated, that means that BOTH Averages must better preceding points in order for a movement to be valid. As of this writing, despite the almost white hot level of business, despite low levels of unemployment, and despite the fact that US factories are humming at near capacity, the D-J Industrial Average is still 300 points under its 1987 bull market high.

So as far as Dow's Theory is concerned, the post-crash market rise is part of an extended secondary correction. Robert Rhea, the great Dow Theorist of the 1930s, stated that the typical secondary reaction tends to last three weeks to three months while retracing one-third to two-thirds of the previous primary movement. The current rise has greatly exceeded Rhea's theoretical boundaries. But then, the times are far different today than they were in Rhea's day.

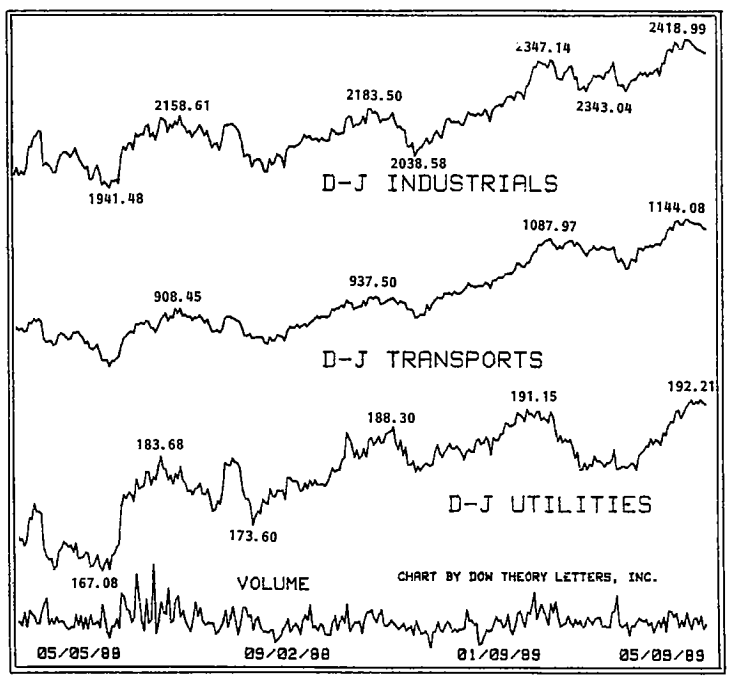
Rhea's markets never had to deal with a "fine-tuning," recession-shy Fed, a truly global market plus massive inflows of foreign money. Nor did Rhea's markets have to deal with options, futures, and program trading. Thus, it's obvious to me that allowances must be made for the fact that the market today is a far different creature than it was in the 1930s.

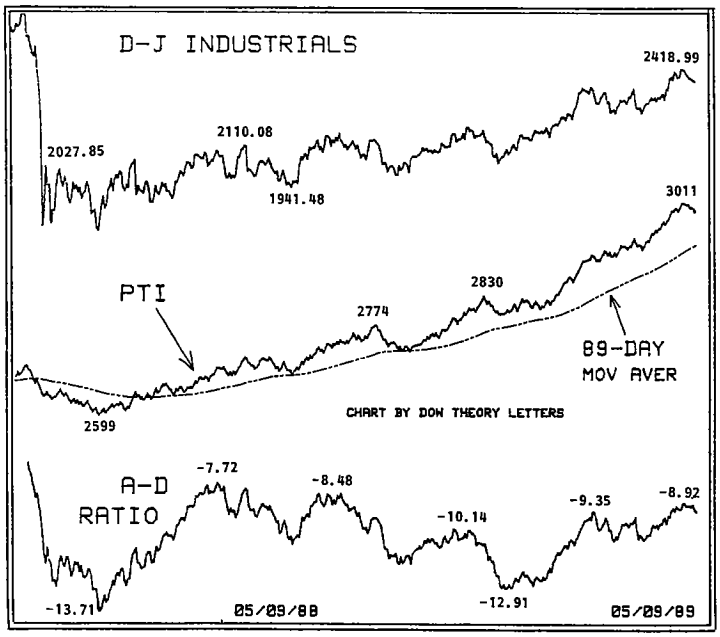
In the meantime, my PTI has tracked the underlying technical condition of the market, and it has tracked it well. The PTI issued its last sell signal simultaneously with the October 15, 1987 Dow Theory bear market signal, thus avoiding the catastrophic crash. Three months later the PTI turned bullish (in mid-January 1988) with the Dow at the 1900 level. The PTI has been in a rising trend ever since.

I developed the PTI because I wanted an indicator that was not common knowledge. Remember, I started Dow Theory Letters back in 1958, at which time technical analysis was literally unknown on Wall Street. Those few who did follow technical analysis at the time had to do so in secret, since there was an intense prejudice against this form of "stock market voodoo."

But as the years rolled on, technical analysis (thanks mainly to *Barron's*) became more accepted. By the late-1960s I began to fear that technical analysis had become almost too popular, and I began to worry that "too many cooks would spoil the broth." It was about that time that I started work on an indicator that would not be available to the public or to Wall Street's analysts. After three years of theorizing, experimenting, charting, and testing, I came up with my PTI. In 1971 I began including the PTI in Dow Theory Letters, and charts and statistics on the PTI have appeared in every Letter since.

I've never revealed the formula for my PTI, since I felt that if too many people followed it, the index would lose its effectiveness (as have so many other market devices). All I have said is that the PTI is based on items having to do with the "action-of-the-market." The PTI does not deal with sentiment, psychology, waves, cycles, subjective items, or news-related events. The PTI is a daily consensus of eight different items, each linked to what the market is





actually doing -- with two exceptions. Those exceptions are the two components of the PTI which are directly linked to interest rates.

In using the PTI over the past 18 years I have found that it possesses one remarkable property. It is not (as are so many indicators) given to whip-saws. In other words, it tends to move in broad, long-lasting trends. Thus, the major signals of the PTI should not be ignored. To put it another way, PTI buy signals can make you a lot of money, and PTI sell signals can save you a lot of money.

NEAR-TERM: The recent highs for the Averages were Industrials at **2418.99** and Transports at **1144.08.** Both highs were recorded on May 4. Obviously, the bullish option for the market would be for BOTH Averages to better those May 4 highs. A rally with one, but not both, Averages bettering the May 4 peaks could spell trouble.

Important: Subscribers should remember that the stock market has now traced out a primary non-confirmation. A primary non-confirmation occurs when one Average rallies to a new bull market high unconfirmed by the other. This is the case now: the Transports rose to a new all-time high while the Dow is still more than 300 points under its own comparable high.

Moreover, I feel that situation is particularly dicey since the Transports are selling at an extraordinary 65 times dividends. Another way of looking at it is that money-market funds now sell at better than six times the yield on the Transportation Average.

So from the standpoint of Dow Theory, the market is treading on thin ice, with a major non-confirmation in place and stocks (as represented by the low yields on the Dow Industrial and the Transportation Averages) in the over-valued area.

INVESTMENT POSITION: I last presented a full study of the "Percentage of Undervalued Blue-Chips" in Letter 1011. The latest statistics on this important study (courtesy of *Investment Quality Trends* here in La Jolla) shows the Percentage of Undervalued Blue-Chip Stocks dropping to a new low of 18%. In other words, only 18 out of every 100 blue-chip stocks can now be classified as "undervalued." The 18% level places the market within the area of tops. In fact, the 1973-74 bear market collapse started with the Undervalued Percentage at 17% (in January 1973).

With values this thin, caution is now the order of the day. Furthermore, bonds and money instruments now far outweigh stocks on the value scale (even though the fat yields of a month or so ago have now disappeared).

My PTI is curling over and sinking now (no bearish signal yet), and DowPow has been notably sluggish, while still holding well within its trading area of the last 17 months -- a testament to the poor breadth on the entire post-crash recovery.

The bear stays in the box. (Note: In the last Letter I placed the bear in the box but labeled him a bull. I guess my unconscious is hoping for a bull market.)

JULIAN: Here is the latest letter (via FAX out of St. Moritz, Switzerland) from Julian Snyder, former publisher of *International Moneyline*. This letter may explain why my PTI has been as strong as it's been.

"Dear Dick, It could have been the Swiss mountain air, but I woke up the other morning with the stunning thought: debt doesn't mean anything (or at least not as much as we have thought). The concept is what I would call reverse compounding. Even as interest compounds to build up a fortune, so persistent inflation compounds to reduce debt. At an annual inflation rate of 5% your real debt will be cut in half in 14 years. At an inflation rate of 10% it will take only 7 years. At 20% your debt is halved in 3 1/2 years and practically eliminated in 14 years. In Brazil, a friend who just returned from there tells me, nobody is concerned about debt or interest rates that run to around 50% a month. 'It's a cash economy,' he says, 'and everybody has cash which they quickly convert to tangibles.' Whether the central banks are conscious of what they are doing or not (and I think some are) to keep the world economy going on a 5% to 7% rate of inflation, the results are quite comfortable. Despite the fact the banks remember the 1970s with horror, they might even be willing to experiment with low double-digit inflation.

"The message of the mountains, Dick, is that we are really in a new economic era that has not yet been correctly identified. This era began, officially, when Richard Nixon closed the gold window on August 15, 1971. You remember the old song, 'It's Only a Paper Moon?' Well, from that point on, the financial world became a paper world. It not only became possible to print money to bail people out of debt, reverse compounding via inflation became a viable mechanism and very acceptable politically if done gradually.

"You and I are old enough to remember when you could buy a hamburger for a dime. The 1939 dollar has lost about nine-tenths of its value, but we all still think in absolute terms about the dollar. If we use 1939 as a measuring stick, Mike Milken's income doesn't look so astronomical. In the old inflation/deflation argument I guess I'm back on the side of inflation even though, as Dr. Kurt Richenbacher of Frankfurt points out, in a credit economy banks can't create money without creating debt. But this only argues for a constant and fairly high rate of currency depreciation.

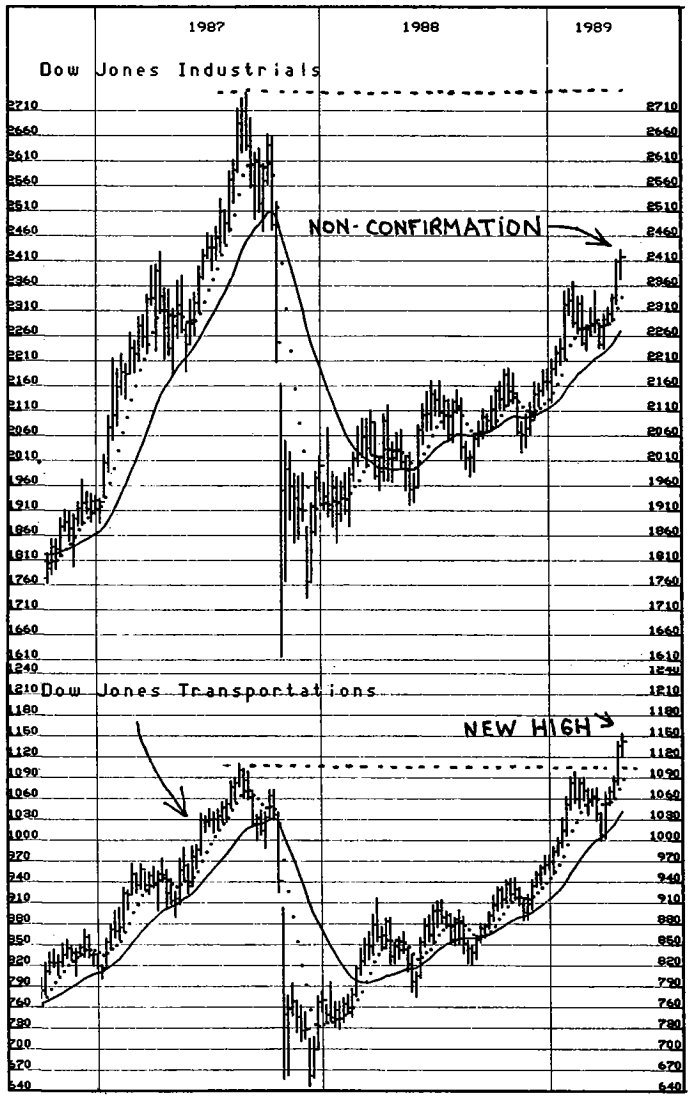
"The problem, of course, is the backbone of the establishment, the bondholder. He likes the low rates of inflation that come with recessions, and pressure from this corner could drive the bankers towards the 1929 precipice, as it almost did in 1987. But if the government starts issuing inflation-adjusted bonds, as Israel does, the establishment could stop worrying and the age of 'perpetual prosperity' could begin. We are already beginning to hear this kind of talk in economic circles. It's the same kind of talk you heard in Paris around 1720 when John Law introduced unbacked paper money. However, this is the first time in history that not just one country, but the entire world has been on the floating paper money standard.

"This means there is always a way to prevent a depression or serious recession via the printing presses and, at least in theory, reverse compounding prevents the ultimate collapse. So you can wind up living in a 'banana-world' in which the value of your currency is always depreciating, but the economy continues to fulminate, if not boom, while the accumulating debt actually helps the situation, serving like an anchor to hold the economy back from expanding too rapidly.

"So as I take another breath of this mountain air -- it snowed here last night a couple of inches -- I must advise you to forget about the debt. The thing to do is to go out and borrow more money because a real recession isn't going to happen for a long time. And the stock market is once again going to be an inflation hedge and Bob Prechter's DJIA of 3600 is going to seem like a low number. The central bankers may even realize that if they don't trigger a recession they won't have to print money to get us out of one. So we have the final rationalization to place all systems on 'Go.' The only problem is that, as Milton Friedman used to say, the ultimate backing for the dollar is only confidence, and, as was the case with John Law's financial Utopia, at some point the answer to the question of 'how high is up' will be 'too high,' and the breakdown then will be total. But I think we all have been underestimating the power of a worthless dollar that can be created in unlimited quantities. What do you think? Julian."

Russell comment: Perpetual "mild inflation" is what Julian is talking about. My thought here is that persistent trends have a habit of eventually heating up, turning speculative, and finally becoming frenzied. If the current trend of "a little inflation" continues (in the face of the Fed's promise to end inflation), soon speculators will catch on and mild inflation will turn into heated inflation. This will catch stocks and bonds at a rarefied level, and the market edifice will crumble.

Already, the stubborn and persistent rise in my PTI suggests that there is a mild bubbling effect under the stock market kettle. And I don't think it would take much to bring the water in the kettle to a boil. At that point the Fed (or our foreign creditors) would panic and slam on the brakes. The result would be the recession (the recession that everyone has been waiting for but the recession that "never seems to materialize").



Dow Theory: As I've repeated endlessly in these Letters, from a Dow Theory standpoint a breakout by one Average, unconfirmed by the other is meaningless for predictive purposes -- and very likely to be deceptive. At this time we are witnessing one of the most interesting major or primary non-confirmations that I have seen in 45 years of watching the market. (I call it a primary non-confirmation because the Transports rallied to a new record high, not just a post-crash recovery high. Thus, the Industrials would now have to go to a new record high of their own in order to confirm the Transports.)

I have used the *Mansfield* weekly charts (see above at right) to illustrate the current dramatic non-confirmation. Of course, it is very possible that in due time the Dow will rally to a new record high (above the 1987 bull market high of 2722.42) and thereby confirm the recent record high struck by the Transportion Average. That may well happen, but the fact remains that right now a major non-confirmation does exist, and that constitutes an important potential danger signal.

Let me put it another way. If the market were to collapse in the period ahead, you might hear many technicians say, "Oh yeah, no surprise -- it was all so obvious. Didn't we have a major non-confirmation, and weren't the Averages shouting danger!" So, if the market does collapse during say June and July technicians might claim that "they saw it coming," but of course they aren't saying much about the non-confirmation AT THIS TIME, and that's what interests me. For that reason I think the current non-confirmation could be very significant.

NOTES & QUOTES: The verdict on President Bush (based on his first 100 days in office) is that he's cautious to a fault, has no overall plans for the US and merely reacts to events rather than instigates anything. Bush is a compromiser, a man who wants to "get along" with Congress rather than lead or confront Congress. Many astute observers say that Congress is continuing to usurp the power of the presidency. If true (and I'm convinced that it is), Mr. Bush will not be the president to recoup the power of the presidency. Said Jerry Jordan, a former economic advisor to Reagan, "Maybe there is a grand strategy. I don't know what it is. I don't think they know." Said Gary Bauer, a former White House policy aide, "Faced with an Administration that is willing to constantly split the difference, an assertive Congress will push harder and harder to drive policy." And that seems to be the story.

* *

In the FSX deal the Japanese will build a fighter plane in partnership with the US. But why are the Japanese willing to pay twice as much for a fighter plane that they could buy from the US "off the shelf." The informed opinion is that the Japanese have been trying to get into the aerospace industry for years, and their joint participation with the US in building "a new" fighter plane would give them the technology they need. Aerospace is the one industry where the US has the lead. In going into partnership with the Japanese, the US is creating its own competition. But why is the US willing to do that? Russell opinion: When a nation is buying up to 40% of your new debt (i.e., our annual deficits) you aren't in a position to argue with them. Pathetic, isn't it?

* *

Food: I've always said that food is cheap in the US. If you don't eat meat, then food here (vegetables, bread, salads) is an absolute bargain. Compare these prices for a standard chicken and potatoes dinner in various world cities: Tokyo $26.36; Paris $16.07; Milan $13.09; Hong Kong $11.76; Toronto $11.67; Munich $10.50; London $10.48; NEW YORK $8.96; Sao Paulo $6.64. And you can eat most places in the US a lot cheaper than you can in New York.

* *

Are you awed by those big "stretch" limousines. Don't be -- stretches are not that expensive. They're advertised in Automotive News (Cadillacs and Lincolns) for immediate delivery at $36,500. No, the expensive part isn't the stretch, it's the chauffeur.

* *

The $200 billion "junk bond" market bears watching. Yields on two dozen actively traded junks have climbed recently from a March low of 12.95% to a late-April high of 13.76%. But a few of the big retail issues have been hit hard. One is Campeau now yielding over 20%. The forward offering calendar for junk bonds is also building with $18 billion of junks coming up for sale.

* *

There Goes Another: At a fantastic price of $100 million (a record $1.2 million per room) the famous Hotel Bel Air was just sold to the Japanese (compare this with the $496,000 per room that Trump paid for the Plaza in NYC). With the Bel Air sale, the three most famous hotels on LA's Westside are now owned by foreigners. Russell Comment: That low-priced dollar sure has been a help, hasn't it? But not for us.

* *

The Nightmare: What's the argument about West Germany and the short-range nuclear rockets all about? The untold and unspoken story is this: West Germany wants to snuggle up to Russia, and the first step is to remove the rockets (which are pointed toward Russia) from Germany. NATO is scared to death of Germany's desires. West Germany is the undisputed economic power of Europe. The fear is that a Russo-German alliance would pour German technology, money, and massive financing into Russia. In the face of a Russo-German alliance, pressure would build up to reunite East and West Germany. And that would leave the world with a massive new creature -- a united Germany holding hands with a Russia that was growing progressively more powerful. The unification of Germany alone would constitute a nightmare for many who are familiar with Germany's past. A united Germany in alliance with Russia would be the ultimate nightmare. The hope -- Russia's historic hate and fear of the Germans won't allow them to ally with Germany. Time will tell.

* *

How good is Honda's Acura? The car hit the US market in 1986 with only 60 dealers. There are now 290 Acura dealers and the Japanese luxury car last year out-sold Mercedes, Porsche, and Jaguar combined.

* *

Is South America coming unglued? Argentina's economy is collapsing. Last week for the first time Argentina floated its currency (the Austral). In February the Austral sold at 17 to the dollar. Last week it sold at 79 to the dollar. Argentina's inflation is currently 40% per month.

Brazil, its government discredited, is being torn by strikes and violence. With it's anti-inflation plans in tatters, Brazilian investors are pouring into the black market to buy dollars -- pushing the official and street rate to a record differential of 150%. Militant left- and right-wing groups are trying to fill the void caused by a weak and discredited Sarney presidency. (Note: Brazil's debt is $120 billion, Argentina's debt is $59 billion. Chances of paying off this debt -- about zero.)

* *

Carnegie Mellon Institute, in a survey of several thousand people, concluded that "There's a nice relationship between income and stress level. Generally the lower your income, the higher your stress level. The more money you make, the less stress you report."

* *

Fantastic: Jeanne Calment, the world's oldest women (she was born on Feb. 21, 1875) turned 114 a few months ago. Calment lives in Arles, France (she's in the Guiness Book of World Records). Ponder this: Calment remembers when Vincent Van Gogh used to come to her uncle's store in Arles to buy canvases.

* *

Hope springs eternal no matter the odds: People were standing in line and waiting a half-hour to buy tickets for the recent Pennsylvania $100 million lottery. Odds on winning that lottery were one in 9.6 million. The publication, *Gaming and Wagering Business,* estimates that Americans are now betting over $240 billion in all areas. That's more money than all 50 states raise in taxes ($236 billion).

* *

The following from my old friend and commodity expert, R.E. McMaster (*The Reaper,* PO Box 84901, Phoenix, AZ 85071): "The Japanese believe, since they shot down US President George Bush in World War II, that they can shoot him down again financially during his term in office. It's a sort of 'return the favor' for Hiroshima in a 'kinder gentler' way. Presently, the Japanese own 600 factories in the US, while they also continue to accumulate US real estate and hold nearly $100 billion in US debt. Economic conquest is far more subtle and effective than military conquest. Bombing Pearl Harbor with yen in the 1980s has been very effective."

* *

L. William Seidman, chairman of the FDIC, was asked who gets the money when the bill is presented to bail out the S&Ls: "There's going to be a massive transfer of wealth. All of this money that the government is going to spend is being taken from all the taxpayers and spent in five or six states, primarily Texas, California, and New Mexico (where most of the insolvent S&Ls are). I don't think ever in history has the government spent $160 billion of the taxpayers' money and not get anything for it. . . . There's no way for the industry to bail itself out, because its losses are more than the net value of the entire industry."

* *

One of the greatest achievements in human history is the extension of American longevity during the last three-quarters of a century from age 47 to age 74. What's responsible for this massive improvement? Antibiotics, sanitary plumbing, and (seriously) the flush toilet.

* *

More and more money managers are trading the market rather than individual shares on the basis of the fundamentals of each particular stock. Proof: The value of trading in the Merc's S&P 500 futures contract (the most popular of the stock market contracts) is now greater than the average value of all the stocks traded daily on the NYSE. Furthermore, the extent of current speculation can be seen in the fact that in 1987 annual share turnover on the NYSE reached a peak of 73%, the highest since the wild days of the early 1900s (back in 1975 turnover on the NYSE was a mere 20%).

* *

In an op-ed piece in the *WSJ,* the editor emeritus Vermont Royster writes about the total reversal of the meaning of the word, liberal. Royster notes that in the days of our forefathers to be a liberal meant to be a person who "favored an open, free marketplace in which consumers directed the course of the economy, not government officials. In politicial affairs liberalism meant an equal vote for every citizen with government officials as our servents, not our masters. By this century the word 'liberal' underwent an historic change. Originally the government could not levy a tax upon people's incomes. The 21st Amendment changed that, with no limitations on the amount of the tax. As time passed the idea grew to 'soak the rich,' taking from one group of people to give to another, making the government a sort of Robin Hood. Gradually those who would treat different individuals differently, who would tax the few to give to the many, came to call themselves liberals."

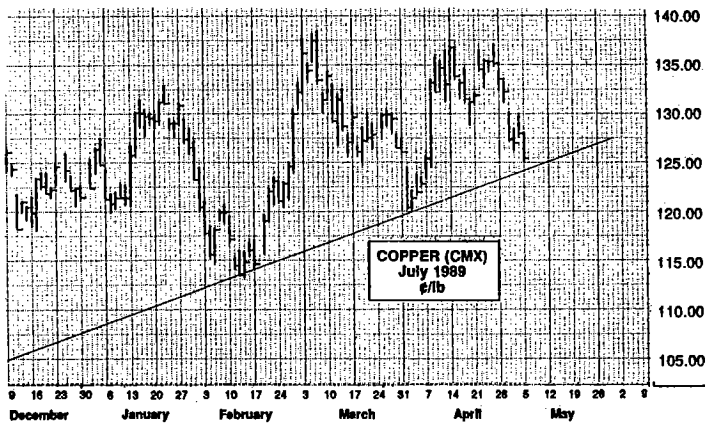
* *

If you're from Texas you may know this, but the armadillo has probably the best escape mechanisms of any animal in the world. If

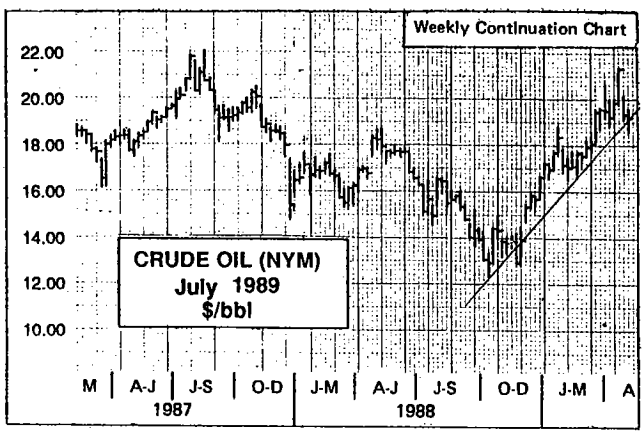
scared an armadillo may run, or he may roll up into an armored ball, or he may quickly dig a hole, and then curl up and wedge his body in so tightly that it is virtually impossible to remove him. There's more -- if near water an armadillo will jump in, fill his stomach and intestines with air and float for a time. Or he can release some air, drop to the bottom, and walk across the stream to the other side!

GOLD and MORE: Commodities across the board look like deflation. Corn, soybeans, cattle, hogs, lumber, the metals, cocoa, they all look weak (which they obviously would not if inflation were the wave of the future as so many are predicting). A few areas are particularly worth watching now.

Watch July copper, which has been strong and which correlates well with economic activity. If July copper breaks 120, take it as a sign of trouble (see daily chart).

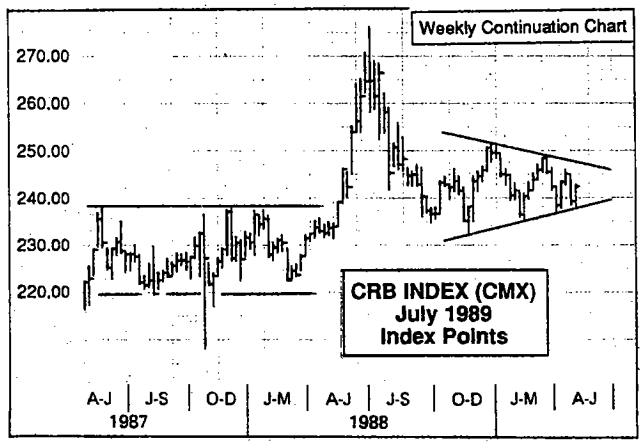


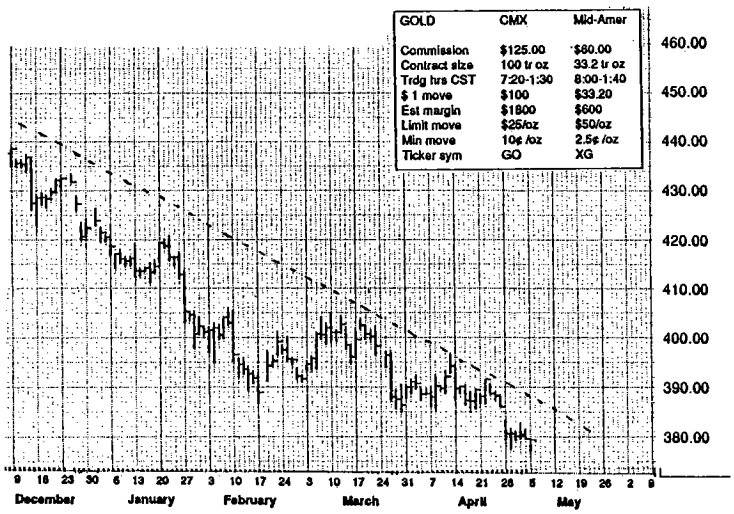
Crude oil has also been strong and is tracing out what could be a head-and-shoulders top. If July crude hits 18, the top would be completed, and such action should also be taken as deflationary and a sign of trouble (see daily chart).



The widely-watched CRB Index is now in a large triangle formation. A break below 236 would be very deflationary, whereas it would take a move above 250 to spell inflation (see weekly chart).

This daily chart shows the action of the June Gold contract. The metal has been in a decisive downtrend. The first sign of a turn to the bull side would be a rally to 390 on the June contract. By the way, if or when gold takes off on the upside, I don't think it's going to be for inflationary reasons. Rather I think it would be for "flight to safety" reasons. When major financial trouble hits, investors tend to move into known islands of safety. The Japanese boom has only been around for a few decades and the Dow has only been above 1000 since the early 1980s. But gold has been an undisputed item of value (real money is what we call it) for 5,000 years, and it will undoubtedly be around for another 5,000.





I receive a lot of questions about buying gold. It's easy. Buy it in coin form (Krugerrands, Maple Leafs, American Eagles) from any local reputable dealer or from Benham Certified Metals, 1-800-447-4653 or from Manfred Tordella in NYC at 1-800-535-7481. Check prices against a few dealers. The gold coin business is very competitive now, and the prices should be right.

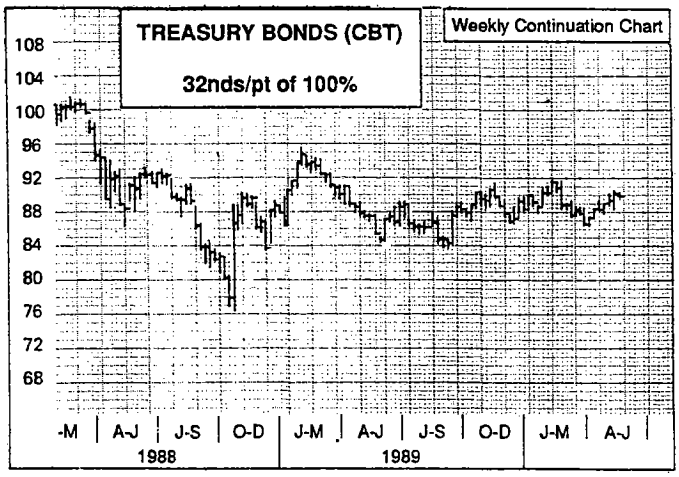
Real money is a form of insurance. And speaking of insurance, remember, the S&Ls had their own insurance company, but when the chips were down, that insurance company went bankrupt. Gold never goes bankrupt -- because it's the only money in the world with no liabilities against it.

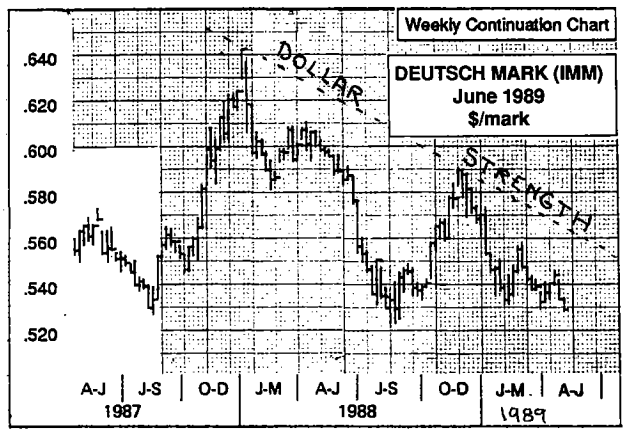
The muni bonds which I have been recommending for so long are doing very well -- actually a lot better than the Treasury bonds. The June muni contract recently pushed over 92 which moved it to a new 1989 high. As you can see on this weekly T-bond chart, the nearby T-bond contract will have to rally above 92 for a breakout. Above 96 and you can say that interest rates are collapsing.

Rates have come down over the last few weeks with the bill rate dropping down around 8.75%. The bargains of a few months ago have all but disappeared.

Note: All charts on pages 5 and 6 courtesy of *Dunn and Hargitt*, 22 N. 2nd St., Lafayette, IN 47902.

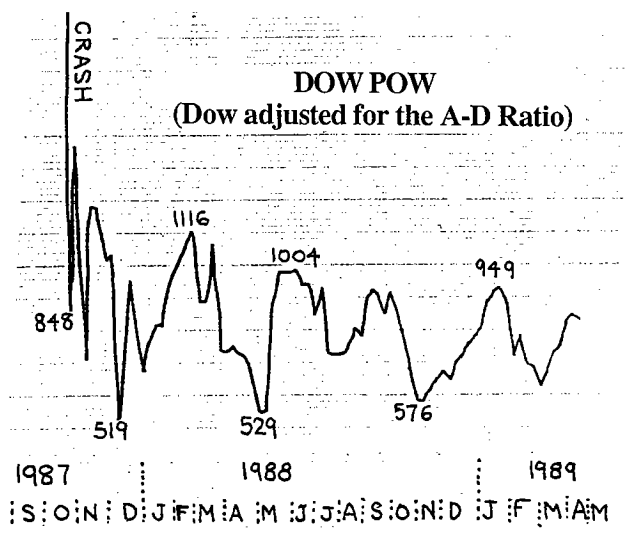
The dollar has been strong, and the strength (see weekly Deutsch Mark chart on page 6) actually started back in December 1987. The chart shows a drop in the mark (which on the chart travels opposite the dollar) through most of 1988 with weakness in the dollar carrying from September to December. But this year the dollar has turned strong again, and as of last week the greenback had risen to a nine-month high against the major currencies.





At the same time it is reported that the dollar is slipping in international usage with the yen taking its place in many areas (why not, the Japanese banks are now the world's largest, and they are doing the business).

LATE NOTES: As this is written the Dow has been down eight days in row. You have to go back to the early 1980s to match a negative string like that. Yet strangely, I see as little conviction (so far) on the downside as I saw on the upside. The downside breadth just isn't there, and not a single one of the eight downside days has produced as many as 950 declines on the NYSE. As a result, DowPow (which is my own proprietary index of the Dow adjusted for the daily advances and declines) has hardly budged during the selling spate.



Often, the rebound from a decline tells you more about the strength (or weakness) of the situation than does the decline itself. I believe that will be the case here. Therefore, watch the rebound when it arrives. Weakness in the rebound would be more negative than the strange, listless series of declines that we have seen so far.

The background picture for the markets remains quite deflationary with commodities acting for all the world like lead balloons. (Are the commodities preparing for recession?) On top of that, the latest Treasury offerings were not received very well, although the huge RJR junk bond offering which hit the market on the same day hardly helped. In his publication *Insights*, economist Gary Shilling notes that real (adjusted for inflation) after-tax bond yields are the best since the 1930s, and as far as bonds are concerned he writes, "Investors with truly long-term horizons may again have a rare investment opportunity."

By the time you read this Faye and I will be in NYC or Paris or London. Faye has just finished her final exams and she's now heading into her third and last year of law school. So she deserves a little vacation too (they tell me that there should be a lawyer in every family -- just for protection and survival purposes, and I'm afaid they're right).

I just read in *Barron's* where my friend, Bob Prechter (amid dire predictions of a blood-curdling bear market), is cutting out his public appearances and battening the hatches as he prepares for the worst. Actually, Bob and I talked about this last year, at which time he told me he was going to eliminate all the racing around to seminars, speeches, and interviews. Bob has picked Gainesville, Ga., as his home, and he probably has the right idea. Most of the big American cities have become gang-infested dope centers and shooting galleries, and, frankly, it's a big worry, particularly for those who have kids.

When I lived in New York (1924 to 1961), there wasn't any place in the City that I couldn't go. As a high school kid I remember many a night (and I mean late night) when I would sit in the park and whisper sweet nothings to my date (doing that today would be a ticket to the nearest emergency ward -- or worse).

San Diego was a quiet little town of 300,000 when I first moved here in 1961. It's quiet no longer, and it's now the second most populated city in California. Furthermore, there are neighborhoods in downtown San Diego that I won't go near.

Yes, the world is a'changing. But they say "everything is a trade-off." And it's true. In 1940 I could go anywhere in Manhattan, but if I had cut my finger I could have died of an infection. Now I have to be careful where I walk, but we do have antibiotics.

NEXT MAILING: Wednesday, May 31

These two clowns above will have to do without me for the next 10 days or so.